

ADMINISTRATOR Producer

By Eldon Gould, Administrator, Risk Management Agency

I'm a successful life-long farmer. My family and I raise a lot of pigs and crops on our family farm in Illinois. I have always been involved in the larger agriculture picture. I've served on boards commissioned to watch over the business of agriculture and I have represented my fellow farmers and ranchers in many venues over the years.

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2006 brings a new challenge for me and my family. Late last year, the Bush Administration asked me to head the USDA's Risk Management Agency (RMA) and I accepted the challenge. I view it as a service I am well equipped to do for the industry and the people to whom I am committed. As RMA Administrator, I have the opportunity to guide the Agency in its major decisions, its relationships with the rest of the industry and its commitment to

America's agricultural producers and the Federal crop insurance delivery system. If you picture the Risk Management Agency administrator as sitting in a big chair and handing down decisions, you will have to change your image. In my relatively few weeks in (and out) of that chair, I have been deeply involved in shaping the future of crop insurance and in making sure that all our partners in this endeavor are heard.

I hear from Congress. The laws which created this program came from them. They gave us many rules and among them is the requirement to operate the program for the benefit of the American farmer as a public-private partnership with insurance companies who participate with us. Another important requirement is that we operate the program in an actuarially sound manner. That means reviewing our loss ratios and compliance programs to be sure taxpayers get what they are paying for in this \$44 billion program.

I hear from the Federal Crop Insurance Corporation Board of Directors (Board). The Board is the executive body which must approve new programs and changes to existing programs. This Board is an impressive group of producers and industry experts whose years of experience and success have made them an effective decision making body. It's my

job to bring facts and information to the Board, allowing them to make informed decisions about the Federal crop insurance program and its direction forward. Then it is my responsibility to turn those decisions into programs and actions that follow the intent of the Board.

I hear from insurance companies. We are partners with the 16 companies who have signed the Standard Reinsurance Agreement with the government, since we regulate activities by the companies and reinsure a large portion of the risk they take. I am working hard, even at this early date, to improve our communications with these critical partners in the program, and have seen strides in very good directions in the time I have been here.

I hear from agents. Crop insurance agents are the frontline of service to the producer. Their concerns often reflect the concerns of farmers who find a program cumbersome, or have well-thought-out recommendations for improvement. Agents are the point men and women for the delivery system.

Most of all, I hear from farmers and ranchers who need the risk management tools we offer to survive in the inherently risky business of agriculture. I know their perspective best of all and intend to make sure the farmer has a voice in the programs administered by the Risk



Eldon Gould, RMA Administrator, inspects a new litter of pigs at his Illinois farm in December.

Management Agency. As we face the prospect of a new Farm Bill in 2007, producer input is crucial.

Major Initiatives in 2006

As we begin 2006, the Board has a full plate. At the first meeting of the year, the

Board will consider action on a number of items. One product for consideration will be the pasture rangeland forage—rainfall index. If approved, it will be a group risk policy, utilizing a weather database maintained by the National Oceanic and Atmospheric Administration

(NOAA). The issue of a useful insurance program for pasture, rangeland and forage is a high priority for the agency.

Significant changes to the nursery crop insurance provisions for the 2006 crop year were made available in June 2005 as well. Some changes were made in response to difficult hurricane seasons in recent years. The changes which will have the most impact in 2006 involve the automatic coverage feature and the coverage level change date. For the 2006 year only, there are 30-day waiting periods related to changing the policy.

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Our legal team has reviewed the proposed rule that creates a combination insurance product which combines the Actual Production History (APH), Crop Revenue Coverage (CRC), Income Protection (IP), Indexed Income Protection (IIP), and Revenue Assurance (RA) plans into one plan of insurance. The rule now must be approved at the USDA level, and then published for comment. If it is approved, the pilot program, called the Combo Product, would affect wheat, barley, cotton, corn, grain sorghum, soybeans, rice, and canola/rapeseed crops.

Requirements for written agreements have changed as well. In the past, if conventional crop insurance was not available for a specific crop in a county, a written agreement could be offered provided the producer could show a three-year production history for that crop in that



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county. The new language provides that a "similar" crop may be used to fulfill the three-year history requirement.

Compliance Efforts and Tech Tools

Every Federal program involving the payment of money is vulnerable to misuse by a very few recipients who feel that they can make more money cheating than using the program properly, and that they can get away with it. Increasingly in the Federal crop insurance program, they don't get away with it. We are making powerful strides in the prevention, detection and prosecution of cheaters who hurt the vast majority of honest producers who need the program and use it correctly.

Each spring, RMA has a Spotcheck List available. The Spotcheck List is a list of producers whose patterns appear atypical compared with others in their region. RMA compliance specialists give the list to local Farm Service Agency (FSA) offices and to insurance companies. FSA conducts growing season inspections based on their knowledge of producers in their area, then sends letters to producers identified in the spotcheck process, informing them they are on the list and identified for a growing season inspec-

tion. This process has resulted in a substantial reduction in indemnities paid to producers in the year following their spotcheck listing. Producers named on the 2004 spotcheck list claimed \$222 million in 2003 indemnity payments, but only \$151 million dollars in 2004 after notification that their operations were under review. This trend in reduced indemnities has repeated itself every year for five years, so we believe it is working to reduce improper payments.

Compliance Investigations

The Department of Justice completed several important crop fraud prosecutions in 2005. These cases drew national media attention in November, and ended with each of the principals receiving substantial jail terms and fines totaling several million dollars. In 2005, RMA compliance specialists began work on several additional cases in conjunction with the Office of the Inspector General which should yield future prosecutions of people who deliberately try to cheat the program and the taxpayer.

Data Mining

Working in partnership with the Center for Agricultural Excellence, RMA incorpo-

rated the latest advances in database technology into a single, centralized "data warehouse" of all the crop insurance-related data in RMA databases over time. Investigators and other RMA staff will use this centralized data warehouse to search, or "mine," existing data records to compare policies and/or detect individual producers whose policies demonstrate atypical patterns, which sometimes can indicate fraudulent activity. Data mining can also be used to analyze and uncover larger national patterns that may indicate patterns of fraud, waste, and abuse. Results of such data mining techniques allow RMA to quickly focus on the most problematic areas in the insurance program so they can be investigated and corrected. Before development of this tool, it was extremely difficult for RMA to conduct historical research and data analysis, since various data records were stored in different databases using conflicting data models.

Remote Sensing and Imaging

We continue to use remote sensing data and related technologies to support our program compliance efforts and aid RMA personnel and outside customers working on Agency mission critical projects. RMA uses remote sensing to identify waste, fraud, and abuse in its programs using Landsat 5 and 7 satellite data to support investigations of conspiracy, fraud, false claims, and false statements to the USDA.

The more I learn about the details of RMA programs, the more impressed I am with the knowledge and commitment of the people who work at the Agency. Leading them and serving America's farmers and ranchers is an honor for me.

We at the Risk Management Agency will continue our commitment to deliver improved risk management solutions for the American farmer.

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